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KNOWLEDGE BASED VALUE FOCUSED CLAIRVEST GROUP INC.

Annual Report 2001

# CLAIRVEST'S INVESTMENT PRINCIPLES

Knowledge based – Value focused

## **INVEST IN WHAT YOU KNOW.**

We invest in industries we understand. This understanding comes from proprietary, domain research.

We look for industries that have:

- Significant potential for consolidation.
- Cost-based economies of scale.
- A pattern of recurring revenue.
- The potential to deliver high returns on invested capital.

## **INVEST IN COMPANIES WITH COMMITTED AND SUCCESSFUL MANAGEMENT.**

We focus on companies within these industry sectors that have:

- Management with a successful track record and significant capital at risk. This serves to align the interests of all parties.
- A proven economic model.
- A business model that clearly demonstrates how money can be made from within the business.
- A business strategy that promotes teamwork and high returns on invested capital produced from a sustainable advantage or market position.

## **USE KNOWLEDGE TO ADD VALUE AT EVERY OPPORTUNITY.**

Clairvest utilizes the collective experience of its Board of Directors, and the entire management team, to assist its investment partners in the development and growth of their businesses. We look for economies of scale and economies of skill.

## **VALUE CREATION IS FUNDAMENTAL.**

We do not make investments and then look to the capital markets to produce success. Value must be created within the company. When we can say with confidence, "We're happy to own this investment through the entire business cycle," we know we've found the right industry, the right company and the right management team.

SUCCESS COMES FROM KNOWING WHERE YOU  
WANT TO BE – BEFORE YOU GET THERE.

# CLAIRVEST EQUITY PARTNERS (CEP)

To accelerate growth required  
a new capital strategy.

## WE'RE CHANGING.

The launch of Clairvest Equity Partners Limited Partnership (CEP) moves Clairvest Group Inc. from a merchant bank that invests its own capital to generate returns, to one that invests alongside third-party investors who want access to Clairvest's proven investment expertise and consistently strong results.

## WE'RE GROWING.

Six years ago Clairvest launched an investment strategy that has more than doubled the company's capital base. That strategy was recently validated by our ability to go to the market and raise an additional \$109 million. With the addition of this new capital and our ongoing relationship with CEP, we can accelerate the growth of our book value and deliver additional shareholder value.

## WE'RE EXPANDING.

In addition to earning returns through its direct investing, Clairvest will receive a management fee from CEP and will receive a share of CEP's profits above pre-determined target levels. This will increase Clairvest's ROE while reducing our net expenses.

### **Clairvest Equity Partners is positioned to:**

- Target private equity investments between \$10 and \$30 million in companies with enterprise value between \$30 and \$500 million.
- Be Clairvest's exclusive vehicle for long-term private equity investments.
- Target a gross IRR in excess of 25% on all invested capital.

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## CLAIRVEST IN THE COMMUNITY

**CLAIRVEST BELIEVES IT IS IMPORTANT TO CONTRIBUTE TIME AND ENERGY  
TO THE COMMUNITIES IN WHICH WE LIVE AND WORK.**

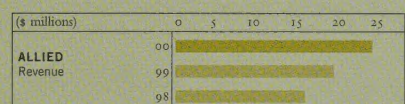
Art Gallery of Ontario • Baycrest Centre Foundation • Baycrest Centre for Geriatric Care • Canadian Business Hall of Fame Foundation • Canadian Friends of the Hebrew University • Canadian Friends of the Israel Museum • Canadian Institute of Health Research • Canadian Institute of International Affairs • Canadian Merit Scholarship Foundation • Canadian Opera Company • Canadian Opera House Corporation • Canadian Technion Society • C.D. Howe Institute • Canadian Council of Christians and Jews • The Canadian Ditchley Foundation • The Canadian Society for the Weizman Institute of Science • The Council for Canadian Unity • Hebrew University of Jerusalem • MARS (Medical and Related Sciences Discovery District) • Mount Sinai Hospital • National Terry Fox Run • North York General Hospital • Ontario Genomics Institute • Raymond F. Kravis Center for the Performing Arts • Terry Fox Humanitarian Award Program • Toronto Symphony Orchestra • United Jewish Appeal of Metropolitan Toronto • University Health Network • University of Toronto • University of Toronto Asset Management Corporation • University of Toronto School of Management's Dean's Advisory Council • University of Toronto Centre of Research in Neurodegenerative Diseases • University of Toronto Department of Metallurgy & Materials Science Advisory Board

# OUR PERFORMANCE

A diversified portfolio  
for all phases of the business cycle.

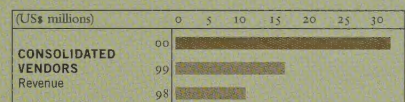
## ALLIED GLOBAL HOLDINGS INC.

This is the first joint investment by Clairvest and Clairvest Equity Partners. Clairvest and CEP purchased a combined \$7 million of 10% convertible preferred shares.



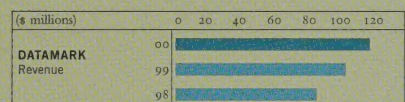
## CONSOLIDATED VENDORS CORPORATION

The company completed major upgrades to internal systems, integrated previous acquisitions, expanded the management team and is well positioned for more acquisitions.



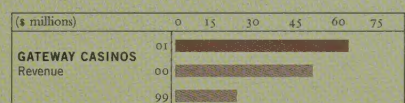
## DATAMARK SYSTEMS GROUP INC.

In 2000 Datamark acquired its main competitor in the airline ticketing business to achieve a dominant North American market position. 2001 is expected to be a record year.



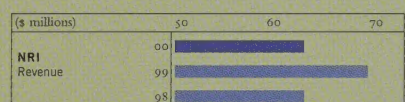
## GATEWAY CASINOS INC.

The growth in revenue and profitability of this company reflects the increasing popularity of gaming in Western Canada and the relative fixed cost nature of casino operations.



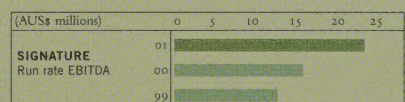
## NRI INDUSTRIES INC.

Completed installation of new processes to increase capacity and lower costs. Given the softness of the sector, revenue was down 7.7% from the previous year.



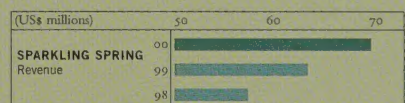
## SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

Signature continued to streamline operations as management is completing an operational and financial restructuring focused on rationalization and cost controls.



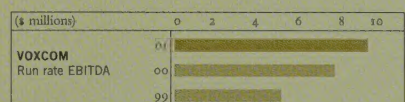
## SPARKLING SPRING WATER HOLDINGS LIMITED

Expenditures in marketing are paying off as growth is well ahead of the previous year. Adverse foreign exchange rates and higher gasoline prices impacted performance.



## VOXCOM INCORPORATED

In 2000, Voxcom completed operational and financial restructuring that should position Voxcom for significant future growth.





IT'S ALL ABOUT KNOWING  
WE'VE FOUND THE RIGHT INDUSTRY

SPARKLING SPRING WATER HOLDINGS LIMITED

## EXECUTIVE CHAIRMAN'S MESSAGE

### To the Shareholders of Clairvest Group Inc.:

Fiscal 2001 was a year when we all experienced challenging markets. It was a period in which Clairvest launched an exciting new investment initiative and saw significant growth in the value of many of our portfolio holdings and setbacks in others.

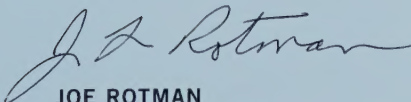
The launch of Clairvest Equity Partners Limited Partnership (CEP) is an important event as it signals an acceleration of our dedication to growing the value of this company. Through CEP we can now offer institutional investors the opportunity to invest alongside Clairvest and gain access to our unique private equity investment strategy. Revenues generated through management fees and a share of CEP's profits will flow to Clairvest, raising our return on equity and accelerating the growth of our book value. It will also allow Clairvest to significantly increase the scope of its investing activities and thereby broaden the exposure for our shareholders.

I am very pleased with the direction Clairvest has embarked upon and the leadership displayed by our Co-CEO's, Jeff Parr and Ken Rotman. They and the entire management team are to be commended for their efforts in not only working to raise CEP, but in keeping a steady hand on our investment portfolio as we navigated turbulent equity and debt markets.

While we are affected by the markets, we don't make investments based on what the market is doing. We look for value... long-term value, and before committing to an investment, we satisfy ourselves that we'll be happy to own that investment through the entire market cycle.

I would like to express my personal gratitude to all members of the Clairvest Board of Directors. Your willingness to share your collective knowledge and experience is allowing our investment partners to grow their businesses while providing Clairvest with a very deep pool of wisdom. For your time and energy, thank you.

At Clairvest we use our collective knowledge base to grow value. While we are always on the lookout for businesses that contain economies of scale and can benefit from consolidation, we are also focused on economies of skill. Leveraging the collective knowledge of our people and the people we invest in is central to our proven investment approach. It has served us well and will continue to deliver strong performance and shareholder value in the years to come.



**JOE ROTMAN**

Executive Chairman

June 30, 2001

## CO-CHIEF EXECUTIVE OFFICERS' MESSAGE

A year of decisive action, patience and new opportunity.

2001 REVEALED STRENGTHS AND WEAKNESSES WITH GREAT CLARITY AND SWIFTNESS. IT WAS VALIDATION THAT CLAIRVEST'S INVESTMENT PRINCIPLES AND STRATEGY ARE SOUND.

### A NEW DIRECTION.

We launched two investment vehicles that will serve to leverage our experience and that of our new partners.

Clairvest Equity Partners Limited Partnership (CEP) will allow Clairvest to continue to invest our own capital in a proven strategy and grow more rapidly with the additional capital through the limited partnership. CEP adds at least \$109 million of capital that we will put to work in our core business of investing in companies with demonstrated strong internal economics, track records of success and proven management.

Clairvest-Yorkton Transition Capital Fund is our initial foray into bridge capital investing. We are starting small and with a partner that has a proven track record in the capital markets and the technology arena. It's an area of investing where there is no substitute for knowledge and market experience.

The future for Clairvest is to continue to build negotiated capital funds using our own, and our partners', capital. Our roots are in private equity, and that will remain our core business. We intend to build on this core competency by adding other products such as the bridge fund. The result, we believe, will be a company with a greatly improved return on equity and accelerated growth in book value. This will allow us to reward our shareholders who have been patient with Clairvest's disappointing share price performance.

### DEALING WITH THE PAST.

Last year was also a time when we dealt with the results of some mistakes. We wrote down almost our entire investment (\$10 million) in Vitamins.com – a company that was acquired by HealthCentral.com. Simply put, the nature of the investment changed in midstream and we became involved in a company that strayed outside our core investment principles.

While we could have denied the company the right to alter its strategy, we felt that the new direction held promise. We were wrong. Vitamins.com did have solid management with substantial equity in the business and a good track record of managing successful businesses, but the company did not have a "proven" economic model. As the .com bubble burst, and capital dried up, the business could not be sustained. This investment has reinforced that when we stick to all our core investing principles, our returns and rate of success improve dramatically. We've learned that we must stay the course.

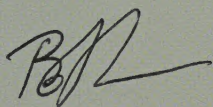
#### A YEAR OF MIXED RESULTS.

Significant success in the growth in the value of our investments in Sparkling Spring, Datamark and Gateway Casinos – only some of which was reflected in our 2001 financial results – was overshadowed by the HealthCentral.com experience and restructurings at our two electronic security investments. Overall, our financial results for the year were unacceptable. However, our largest partner companies are now positioned to continue to build in their respective industries from positions of strength.

#### THE FUTURE.

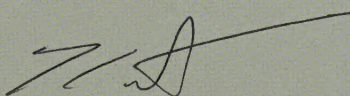
We believe that Clairvest will continue to deliver above-market returns regardless of the phase of the business cycle. If this year has proven anything, it is that our investment approach works. Where we have remained true to our principles, the strength of our investments and our partners have allowed us to weather the current economic storm. Clairvest's portfolio is well diversified, is positioned to perform as the economy strengthens and, with the addition of CEP, we expect the growth in book value to accelerate in the near future.

We would like to thank our Board of Directors and our colleagues for their dedicated efforts and knowledgeable contributions. Our success, as part of a highly motivated team of investment professionals, is a shared success as we work to build sustainable shareholder value.



**JEFF PARR**

Co-Chief Executive Officer and Managing Director  
June 30, 2001



**KEN ROTMAN**

Co-Chief Executive Officer and Managing Director  
June 30, 2001

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AT THE RIGHT TIME

# CLAIRVEST EQUITY PARTNERS (CEP)

A new engine of growth for Clairvest  
and our partners.

## THE PARTNERSHIP.

Clairvest Equity Partners Limited Partnership (CEP) has been created to co-invest with Clairvest in a diversified portfolio of investments. Generally, each investment will be between \$10 and \$30 million where Clairvest will co-invest with the limited partnership according to its pro-rata commitment.

## THE ACTIVITY.

Clairvest raised a total of \$109 million as of June 30, 2001, from outside investors. CEP and Clairvest have concluded their first joint investment (April 2001) with a \$7 million investment in Allied Global Holdings Inc.

## THE MANAGEMENT.

Clairvest's management team, which has been directing the investment activity of Clairvest since 1994, will manage CEP. Clairvest's management team receives incentives based on creating realized gains. Clairvest's Board of Directors will approve all investments in excess of \$5 million and divestitures in excess of \$15 million. Collectively, all members of the Clairvest management team and Board own over 70% of Clairvest. Collectively, our interests are aligned with our shareholders'.

## THE KNOWLEDGE.

There is no substitute for knowledge and experience. The management team is led by Co-CEOs Jeff Parr and Ken Rotman. They have worked together for over six years.


Supporting this team and approving all CEP and Clairvest investments is the Clairvest Board of Directors. The Board comprises, in addition to Jeff Parr and Ken Rotman, ten of Canada's premier business builders and leaders: **Joe Rotman** – Founder of Clairvest; Founder, Tarragon Oil; One of the founders, Barrick Gold • **Tom Beck** – Co-founder, Noma Industries • **Michael Bregman** – Principal, XDL Intervest Capital Corp: Chairman, Second Cup • **Syd Cooper** – Former CEO, Pitts Engineering Construction • **Eph Diamond** – Co-founder, Cadillac Fairview • **Jerry Heffernan** – Co-founder, Co-Steel; Chairman, Texas Industries Inc. • **Joe Heffernan** – Chairman, Rothmans Inc. • **Philip Orsino** – CEO and President, Premdor Inc. • **Lionel Schipper** – Former Chairman, Toronto Sun • **Issy Sharp** – Founder, Chairman and CEO, Four Seasons Hotels.

## THE INVESTMENT APPROACH.

We select industries or industry segments that offer the opportunity to create value through a roll-up (consolidation), roll-out (growth) or value investment strategy. Targeted industries are extensively researched and individual companies are targeted for investment. Clairvest has assisted its investment partners to complete 147 acquisitions, raise \$951 million in debt capital and \$293 million in third-party equity.

## THE FUTURE.

Clairvest will benefit from CEP as a result of receiving a management fee and a share of CEP's profits above pre-determined levels. This will, we believe, accelerate growth in Clairvest's shareholder value.



**GETTING BEHIND THE RIGHT  
MANAGEMENT TEAM**

## THE CLAIRVEST TEAM

The true value of knowledge is that it is greater than the sum of its parts.

### **TOM BECK** C.M., O.Ont – ADVISOR AND DIRECTOR

Founded and built Noma Industries into a \$600 million a year company. Sits on the Board of Datamark.

### **MICHAEL BREGMAN** – ADVISOR AND DIRECTOR

Principal of venture capital fund, XDL Intervest Capital Corp. and Chairman of The Second Cup Ltd. He is a Director of several corporations and is actively involved in community organizations. Sits on Clairvest's Audit Committee and on the Board of Allied.

### **SYD COOPER** P.ENG. – ADVISOR AND DIRECTOR

Built Pitts Engineering Construction into one of Canada's leading infrastructure construction companies. Sits on Clairvest's Audit Committee and on the Board of Datamark.

### **EPH DIAMOND** O.C., P.ENG. – ADVISOR AND DIRECTOR

The driving force in building Cadillac Fairview into one of North America's leading real estate developers. Sits on Clairvest's Compensation and Human Resources Committee.

### **JERRY HEFFERNAN** O.C., P.ENG. – ADVISOR AND DIRECTOR

Chairman of Texas Industries Inc. Founded and built six international steel companies including Co-Steel. Chairs Clairvest's Compensation and Human Resources Committee and sits as Chairman of NRI.

### **JOE HEFFERNAN** P.ENG. – ADVISOR AND DIRECTOR

Chairman of Rothmans Inc. and former Deputy CEO of Rothmans International. Sits on the Board of Sparkling Spring.

### **PHILIP ORSINO** F.C.A. – ADVISOR AND DIRECTOR

As President and CEO of Premdor Inc., built the company into a major international door manufacturer with annual revenues in excess of \$2 billion. Chairs Clairvest's Audit Committee and served on the Board of Voxcom.

### **JOE ROTMAN** O.C. – EXECUTIVE CHAIRMAN, ADVISOR AND DIRECTOR

Founded and built numerous independent oil exploration companies including Tarragon Oil and Gas and is one of the original shareholders of Barrick Gold. Founded Clairvest in 1987. Sits on the Board of NRI.

### **LIONEL SCHIPPER** C.M., Q.C. – ADVISOR AND DIRECTOR

Past Chairman of Toronto Sun Publishing and former partner at Goodman, Phillips & Vineberg. Sits on the Board of NRI.

### **ISSY SHARP** O.C. – ADVISOR AND DIRECTOR

Founded and built Four Seasons Hotels into one of the world's finest quality hotel chains. *Financial Post* named Mr. Sharp CEO of the Year in 1992. Sits on Clairvest's Compensation and Human Resources Committee.

#### HEATHER CRAWFORD – IN-HOUSE COUNSEL

Former corporate lawyer with Torys. Received LL.M. from Cambridge and LL.B. from Osgoode Hall Law School. Manages Clairvest's outside counsel and public company compliance. Assists with all partner relationships.

#### DENNIS DUSSIN – ASSOCIATE

Former consultant for the McKenna Group and investment banker with BMO Nesbitt Burns. Has his CFA and MBA from Richard Ivey School of Business, University of Western Ontario.

#### JOHN FISHER – PRINCIPAL

Former corporate finance associate at Coopers & Lybrand and ScotiaMcLeod. Graduated with an MBA from J.L. Kellogg Graduate School of Management. Has his CFA, CBV and CA. Led vending industry initiative resulting in the investment in Consolidated Vendors and accounts receivable initiative resulting in the investment in Allied. Sits on the boards of Datamark, Consolidated Vendors and Allied.

#### ALINA LOPEZ – ASSOCIATE

Has experience working in financial services at Citibank (Lima, Peru). Has an MBA from Joseph L. Rotman School of Management, University of Toronto.

#### JEFF PARR – DIRECTOR, CO-CEO AND MANAGING DIRECTOR

Former partner at Canadian Mezzanine Investments Inc. and manager of Merchant Banking at National Bank of Canada. Is a qualified CA. Provides leadership in Clairvest's development and sits on the boards of Datamark, Consolidated Vendors, Gateway Casinos and Signature.

#### LANA REIKEN – VICE-PRESIDENT FINANCE AND CORPORATE SECRETARY

Former Audit Manager at Ernst and Young LLP. Has her CA and MBA. Manages Clairvest's financial and public company reporting; responsible for tax planning and structuring, and manages Clairvest's treasury operations.

#### KEN ROTMAN – DIRECTOR, CO-CEO AND MANAGING DIRECTOR

Former merchant banker at Warburg Pincus. Has his MBA from New York University and MSc. from London School of Economics. Provides strategic leadership for Clairvest and sits on the boards of NRI, Sparkling Spring, Signature and Voxcom.

#### MICHAEL WAGMAN – VICE-PRESIDENT

Former merchant banker at BMO Nesbitt Burns Equity Partners and investment banking analyst at Nesbitt Burns. Has his HBA from University of Western Ontario. Sources and analyzes new investment opportunities. Sits on the boards of Signature and Gateway Casinos.



AND THE RIGHT COMPANIES

CLINTON/LEIBERMAN HOLDINGS INC.



WHILE PRODUCING VALUE THAT LASTS

# ALLIED GLOBAL HOLDINGS INC.

Industry growth at 10% per annum and accelerating.  
Allied revenue up 36%.

## OUR BUSINESS.

Allied is a leading international accounts receivable management company with operations in Canada, the United Kingdom and the United States. Allied provides collection services to over 500 credit grantors and is well positioned to achieve sustainable growth through internal sales efforts and strategic acquisitions.

## OUR PERFORMANCE.

Last year, Allied grew its revenue from \$18.3 million to \$24.8 million, an increase of 36% and EBITDA from \$2.0 million to \$4.1 million, an increase of 105%<sup>1</sup>. Over the past five years revenues and EBITDA have grown at a compound annual growth rate of 25% and 38%, respectively.

Clairvest and CEP made their initial investment in Allied, in April of 2001, through the purchase of \$7 million of 10% convertible preferred shares for a 22.6% fully diluted ownership interest. This investment represents the first joint investment by Clairvest and CEP.

## FINANCIAL PERFORMANCE<sup>1</sup> (\$ millions)

Year ended December 31	1998	1999	2000
Revenue	16.5	18.3	<b>24.8</b>
EBITDA (pre-distribution)	1.8	2.0	<b>4.1</b>
Net debt			<b>0.1</b>

<sup>1</sup> All figures prior to CEP/Clairvest investment

## INVESTMENT IN PREFERRED SHARES (\$ millions)

	April 2001
Clairvest	<b>2.2</b>
CEP	<b>4.8</b>
	<b>7.0</b>

## OWNERSHIP (fully diluted)

Clairvest	<b>7.2%</b>
CEP	<b>15.4%</b>
Management	<b>77.4%</b>
	<b>100%</b>

Allied was active in each of its three geographic regions last year. The company entered the US market with the opening of a centre in Phoenix and relocated its England office to a more desirable location outside London. In Canada, Allied continued to achieve good growth and obtained ISO 9002 certification.

## WHERE WE'RE GOING.

Allied will continue to grow its business in Canada, the UK and the US through a dedicated focus on improving and expanding internal sales efforts. The company also expects to complete several strategic acquisitions over the next few years in order to strengthen its geographic position and increase the breadth of its service offerings.

## INDUSTRY OUTLOOK.

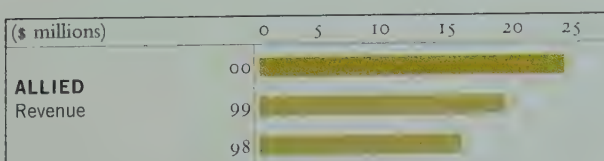
The accounts receivable management industry has estimated annual agency fee revenues of US\$9 billion in Canada, the US and the UK. The industry is growing rapidly, at over 10% per annum, driven by a strong increase in consumer debt levels and a trend by credit grantors to outsource their collection activities and turn over their receivables to agencies earlier in the collection cycle.

For Clairvest and Clairvest Equity Partners this is an opportunity to invest with an entrepreneur that has gained a solid foothold in a consolidating and growing industry.

## THE MANAGEMENT TEAM.

Allied is led by its President David Rae, who has over twenty years of experience in the accounts receivable management industry. Under Mr. Rae's leadership, Allied has achieved its ISO 9002 certification and, in 1999, was named one of Canada's 50 Best Managed Private Companies.

John Fisher and Michael Bregman of Clairvest sit on Allied's Board of Directors.



# CONSOLIDATED VENDORS CORPORATION

Growing in size and profitability.  
Consolidated Vendors revenue up 90%.

## OUR BUSINESS.

Consolidated Vendors owns and services approximately 4,500 vending machines throughout Michigan and Illinois. Located in prime industrial, retail and office locations in the Midwest, customers are provided with a broad range of quality vending products.

## OUR PERFORMANCE.

The year was one of consolidating the four acquisitions made in 1999. Revenue grew from US\$16.8 million to US\$31.9 million, an increase of 90%. EBITDA increased from US\$1.7 million in 1999 to US\$3.6 million in 2000, an increase of 115%.

## FINANCIAL PERFORMANCE (US\$ millions)

Year ended December 31	1998	1999	2000
Revenue	10.5	16.8	<b>31.9</b>
EBITDA (pre-corporate)			<b>5.4</b>
Corporate EBITDA	1.4	1.7	<b>3.6</b>
Ending net debt	2.4	13.8	<b>14.2</b>

## INVESTMENT IN PREFERRED SHARES, COMMON SHARES & SHORT-TERM DEBENTURES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	6.2	<b>6.6</b>
Carrying value	6.3	<b>8.2</b>

## OWNERSHIP (fully diluted)

Clairvest	<b>57.9%</b>
Management	<b>42.1%</b>
	<b>100%</b>

## WHERE WE'RE GOING.

We will complete follow-on acquisitions in each of Consolidated Vendor's three core market territories in East Michigan, West Michigan and Northern Illinois. These strategic additions will allow for a rationalization of operations and regional economies of scale that should produce

significant increases in operating income margins. Longer-term, the goal is to pursue the acquisition of several hub companies in new territories.

## INDUSTRY OUTLOOK.

In the United States the ownership and servicing of vending machines is a US\$20 billion a year business. The vending industry in the United States is highly fragmented with more than 9,000 operators, where approximately 97% generate annual revenue of less than US\$10 million.

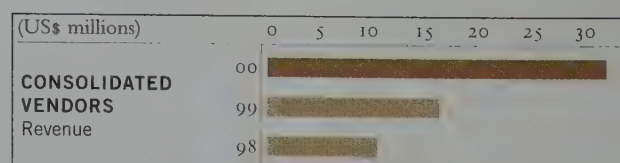
For Clairvest, this represents a tremendous opportunity to participate in the consolidation of the industry by investing behind an entrepreneur that has demonstrated industry-leading profitability due to superior service and a disciplined approach to management. Clairvest expects to increase its investment in Consolidated Vendors as the company continues to grow profitably.

## THE MANAGEMENT TEAM.

Consolidated Vendors is led by Michael Kelner, a successful entrepreneur with over 16 years experience in the vending industry. Mr. Kelner's prior management experience at GE provided him with the necessary leadership and business skill sets to grow Consolidated Vendors from US\$2 million to over US\$31 million today.

Since Clairvest's investment, Consolidated Vendors management team has grown to include a Vice-President of Operations; a Chief Financial Officer; senior management positions in Purchasing, Human Resources, MIS and Accounting; and three regional General Operations Managers.

Jeff Parr and John Fisher sit on the Board of Directors of Consolidated Vendors.



# DATAMARK SYSTEMS GROUP INC.

## Acquisition makes Datamark leader in airline ticket business.

### OUR BUSINESS.

Datamark specializes in providing customers with end-to-end document management services. These services include customized print design, production, cost control and reporting, and warehousing and distribution. Datamark services its growing North American customer base through a network of direct sales professionals.

### OUR PERFORMANCE.

In 2000, Datamark had revenue growth of 16.3% and EBITDA growth of 5.8%. During the period, Datamark acquired and integrated its main competitor in the airline ticket business, achieving a dominant North American market position. This acquisition allowed for the closure of the US facility.

### FINANCIAL PERFORMANCE (\$' millions)

Year ended December 31	1997	1998	1999	2000
Sales	69.4	82.9	101.4	<b>117.9</b>
EBITDA	6.2	8.1	10.4	<b>11.0</b>
Margin	8.9%	9.8%	10.3%	<b>9.3%</b>
Dividends paid	—	17.7	—	<b>6.5</b>
Net debt (cash)	(13.8)	6.7	9.9	<b>23.1</b>

### INVESTMENT IN COMMON SHARES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	14.4	<b>14.4</b>
Carrying value	13.6	<b>8.9<sup>1</sup></b>

<sup>1</sup> Excludes \$11.4 million in dividends received from inception to June 30, 2001

### OWNERSHIP (fully diluted)

Clairvest	<b>36.7%</b>
Management and others	<b>63.3%</b>
	<b>100%</b>

### WHERE WE'RE GOING.

For 2001, Datamark expects a record year of EBITDA and revenue based on strong Q1 2001 results. Revenue was \$33.9 million, up 21.7% from Q1 2000, and EBITDA was \$3.2 million, up 45.8%.

Datamark will continue to grow through strategic acquisitions of complementary products that will leverage the sales force and drive down costs through the rationalization of facilities. In January 2001, the company closed the purchase of the remaining 30% of Intramedia, Datamark's successful commercial print operation. Datamark will continue to utilize its recurring operating free cash flow to finance strategic acquisitions. In May of 2001, Datamark generated another dividend payment of \$2.4 million to its shareholders.

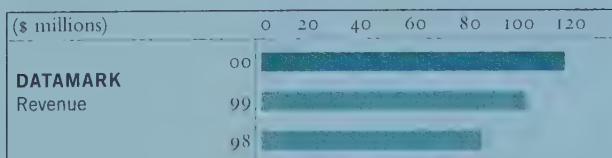
### INDUSTRY OUTLOOK.

While the North American document solutions industry is a mature industry (annual growth of 2–3%), it is also in the midst of continental consolidation. Datamark is the fourth largest integrated document solutions company in Canada, where the four largest companies have a 70% share of the market. Over the past four years, two of the top three Canadian competitors were purchased by U.S. consolidators. Datamark will actively participate in this consolidation process, initially as a buyer and ultimately as a seller.

### THE MANAGEMENT TEAM.

Datamark is led by Jeffrey Zunenshine and Claude Perrotte. For the past 18 years the two partners have built the company from a small Quebec-based business to a leading national document solutions company. With the assistance of Clairvest in the completion of three acquisitions, Datamark revenue has grown from \$69.4 million in 1997 to \$117.9 million in 2000. Datamark has delivered much of this growth in value directly into the hands of shareholders through the payment of \$24.2 million in dividends.

Tom Beck, Syd Cooper, John Fisher and Jeff Parr sit on the Board of Directors of Datamark.



# GATEWAY CASINOS INC.

## Gaming industry growth strong. Gateway Casinos secures 10-year operating licences in British Columbia.

### OUR BUSINESS.

Gateway Casinos operates four casinos in Western Canada. Three are located in the lower British Columbia mainland near Vancouver, while the fourth is located in the West Edmonton Mall. Combined, the company operates 120 gaming tables and 724 slot machines.

### OUR PERFORMANCE.

For the year ended April 30, 2001, revenue increased by 19.9% while EBITDA increased by 13.5%. These results reflect the relative fixed cost nature of casino operations and the ability to generate significant economies of scale with increased revenues.

In the past year, Gateway Casinos successfully negotiated a 10-year operating agreement – with an option for an additional 10 years – with the British Columbia Lottery Corporation. The agreement confirms Gateway Casinos' economic model and provides a strong foundation for its growth within the province.

At the West Edmonton Mall, the July 2001 completion of a \$9.0 million expansion will more than double that casino's gaming floor space to 60,000 square feet.

### FINANCIAL PERFORMANCE (\$ millions)

Year ended April 30	1998	1999	2000	2001
Revenue	15.5	24.9	53.8	64.5
EBITDA (pre-distribution)	5.8	9.0	25.2	28.6
Debt (cash)	1.6	(3.7)	(17.0)	(15.5)

### INVESTMENT IN COMMON SHARES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	24.0	24.0
Carrying value	24.0	24.0

### OWNERSHIP (fully diluted)

Clairvest	28.4%
Management & others	71.6%
	100%

During 2001, Clairvest received \$2.8 million from Gateway Casinos, its portion of \$10 million of distributions.

### WHERE WE'RE GOING.

As the British Columbia government improves the availability of gaming in more attractive locations, it is expected that the appeal of gaming to a broader demographic will accelerate.

Gateway Casinos is pursuing the relocation of the New Westminster casino to a new site. By securing an option to purchase the Riverboat Casino, which operates within New Westminster, Gateway Casinos plans to combine the two casinos and create the first 60-table, 600-slot casino in British Columbia.

### INDUSTRY OUTLOOK.

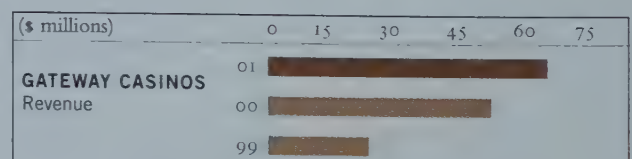
The casino and gaming industry in Canada has experienced tremendous growth over the past ten years. Casino winnings have grown from \$15 million in 1990 to over \$3.4 billion in 1999.

Alberta is a leader in the Canadian gaming industry with the most developed gaming infrastructure and per capita winnings of \$407 per year. With British Columbia's per capita winnings the lowest in Canada at \$176, the prospects for growth of the gaming industry in British Columbia remains strong.

### THE MANAGEMENT TEAM.

Gateway Casinos is led by Ray McLean and a senior management team of seasoned industry professionals including President, Dave Gadhia; COO, Dan McLean; General Manager, Monique Wilberg; and COO of Alberta Operations, Howard Worell.

Jeff Parr and Michael Wagman sit on Gateway Casinos' Board of Directors and assist the company with acquisitions, strategic direction and the raising of capital.



# NRI INDUSTRIES INC.

Slowdown in automotive sector hurts NRI results. Re-tooling positions company for greater profitability.

## OUR BUSINESS.

NRI converts low value industrial and consumer scrap rubber into products that meet rigid quality standards at competitive prices. As a Tier 1 supplier to the major automotive manufacturers, NRI is able to exploit its technology-based competitive advantage to sustain leading industry margins, while achieving significant EBITDA growth with only modest increases in sales.

## OUR PERFORMANCE.

In 2000, revenue was \$63.0 million while EBITDA was \$8.6 million, a reduction from the previous year of 7.7% and 34.7% respectively. These results were below last year's due to the slowdown in the automotive sector and the completion of a \$7.7 million capital project that significantly enhanced production, though reduced capacity during installation. The sale of the unprofitable materials division was completed during the year, eliminating a drain on cash, removing a distraction for management and deleveraging NRI.

## FINANCIAL PERFORMANCE (\$ millions)

Year ended December 31	1996	1997	1998	1999	2000
Parts Division					
Revenue	53.0	59.3	63.0	68.3	<b>63.0</b>
EBITDA	7.7	10.2	11.5	13.1	<b>8.6</b>
Margin	14.5%	17.1%	18.3%	19.2%	<b>13.6%</b>
Debt	32.7	34.6	35.4	31.4	<b>23.7</b>

## INVESTMENT IN COMMON AND

## PREFERRED SHARES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	17.7	<b>17.6</b>
Carrying value	22.9	<b>24.1</b>

## OWNERSHIP (fully diluted)

Clairvest	<b>90.5%</b>
Management & others	<b>9.5%</b>
	<b>100%</b>

## WHERE WE'RE GOING.

With the completion of NRI's capital improvement program, the company's cost structure is dramatically improved. NRI was awarded more automotive contracts in 2000 than in any previous year. In most product areas NRI continues to gain market share.

While automotive volumes are down, heavy truck sales – where NRI has a substantial portion of sales – is down even more. Given NRI's fixed cost structure, this fall-off in demand will have a significant negative impact on 2001's results.

The good news is that given the completion of improvements to NRI's manufacturing process, when the automotive cycle turns up again, the company should achieve record levels of sales, improved margins and even greater levels of profitability.

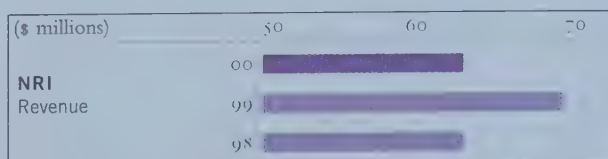
## INDUSTRY OUTLOOK.

We expect the downturn in the automotive sector that began in Q4 2000, to last – given historical norms – approximately eighteen to twenty-four months. As new demand emerges for Thermo-plastic elastomers (rubber-plastic blends), NRI is well positioned to increase its market share. The industry is mature, growing modestly, and consolidation is occurring in certain niches in the automotive supply industry.

## THE MANAGEMENT TEAM.

NRI is led by Ted Pattenden, a former senior executive at Dupont. Mr. Pattenden, along with a team of senior manufacturing and marketing executives, has taken NRI from a marginally competitive provider of rubber parts into a niche player with a meaningful cost advantage.

Jerry Heffernan, Joe Rotman, Lionel Shipper and Ken Rotman sit on the Board of Directors of NRI. Mr. Heffernan is the Chairman of NRI.



# SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

Signature restructures operations and increases EBITDA by 68%.

## OUR BUSINESS.

Signature is a full-service electronic security company serving Australia and New Zealand, where it sells, installs, services and monitors alarm systems for residential and commercial customers. Since 1997, the company has become the second largest electronic security provider in Australia and the largest full-service provider in New Zealand.

## OUR PERFORMANCE.

In the year ended March 31, 2001, Signature's revenue increased by 11.1%. At the same time EBITDA rose by 68.3%, reflecting a 13.6% increase in margins. Despite continued strong year-over-year improvement in operating performance, Signature has grown rapidly and invested heavily in this growth. In 2001, Signature significantly restructured its operations such that future growth will be slower and much more economical. Having completed its operational restructuring, Signature is now in the midst of a capital reorganization with a new \$24 million investment by existing shareholders. In consideration of this, Clairvest took a \$7.4 million reserve against book value at March 31, 2001. The financial restructuring is expected to be completed in Clairvest's second quarter of 2002.

## FINANCIAL PERFORMANCE (AUS\$ millions)

Year ended March 31	1998	1999	2000	2001
Revenue	26.5	45.9	47.0	<b>52.2</b>
EBITDA	2.4	10.0	12.4	<b>20.9</b>
Margin	8.9%	21.8%	26.4%	<b>40.0%</b>
Run rate EBITDA	7.1	12.7	15.3	<b>23.3</b>
Monthly monitoring revenues	2.5	3.0	3.3	<b>3.8</b>
Net debt	53.3	89.6	102.0	<b>126.2</b>

## INVESTMENT IN ORDINARY SHARES & LOANS TO MANAGEMENT (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	20.4	<b>20.4</b>
Carrying value	31.9	<b>20.4</b>

## OWNERSHIP (fully diluted)

Clairvest	<b>38.8%</b>
Management & others	<b>66.2%</b>
	<b>100%</b>

## WHERE WE'RE GOING.

Phase one of Signature's growth plan involved the aggressive acquisition and consolidation of small regional providers. Phase two was a dedicated focus on rapid organic growth. The third phase, which Signature has embarked upon, involves a cost reduction initiative that is focused on slower more profitable growth and revised pricing strategies aimed at acquiring new customers.

## INDUSTRY OUTLOOK.

The electronic security industry in Australia is underserved, with residential penetration rates of 5% compared to approximately 20% in the US. The Australian industry is highly fragmented with the top three firms having a market share of 60% (Signature's market share is estimated at 20%). The balance of the industry is held in the hands of over 3,000 independent operators. Significant industry consolidation is under way.

## THE MANAGEMENT TEAM.

In 2000, Signature's Co-CEO Joe Nuccio returned to the United States to pursue new opportunities. Leadership of the Company now resides with Howard Watson, who shared the CEO position with Mr. Nuccio and was the Company's former CFO. Mr. Watson has been instrumental in initiating and leading the third phase of Signature's current strategic initiatives.

Michael Wagman, Ken Rotman and Jeff Parr sit on Signature's Board of Directors.

(AUS\$ millions)	0	5	10	15	20	25
<b>SIGNATURE</b>	01					
Run rate EBITDA	00					
	99					

# SPARKLING SPRING WATER HOLDINGS LIMITED

Captures number one market share in Washington State. Sparkling Spring enters Alberta market.

## OUR BUSINESS.

Sparkling Spring is a bottling, distribution and cooler rental company for high-quality purified drinking water. The company provides regular service to 182,600 water coolers – where over 78% are rental units. Sparkling Spring services customers in Oregon, Washington, British Columbia, Alberta, Atlantic Canada, England and Scotland.

## OUR PERFORMANCE.

During the past year, revenues grew by 8.4% to US\$69.3 million while EBITDA grew by 3.0% to US\$17.6 million. The company achieved superior performance to any previous year, despite adverse foreign exchange rates, the effect of higher gasoline prices and a substantial investment in sales and marketing. The results of this marketing investment have been felt quickly as 11,187 new cooler rentals were added for a 9% internal rate of growth.

## FINANCIAL PERFORMANCE (US\$ millions, except serviced water coolers)

Year ended December 31	1997	1998	1999	2000
Sales	42.1	57.5	63.9	<b>69.3</b>
EBITDA <sup>1</sup>	11.2	12.4	17.1	<b>17.6</b>
EBITDA margin	26.6%	21.6%	26.7%	<b>25.4%</b>
Serviced water coolers	115,000	148,800	160,300	<b>182,600</b>
Net debt	77.3	102.6	107.1	<b>105.1</b>

<sup>1</sup> Before one-time costs relating to integration of acquisitions.

## INVESTMENT IN COMMON SHARES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	5.9	<b>5.9</b>
Carrying value	19.3	<b>31.9</b>

## OWNERSHIP (fully diluted)

Clairvest	<b>24.2%</b>
Management & others	<b>75.8%</b>
	<b>100%</b>

Sparkling Spring raised US\$10.3 million of equity during the year, which values Clairvest's position at \$31.9 million, up from \$19.3 million at March 31, 2000.

## WHERE WE'RE GOING.

Subsequent to year-end, the company raised an additional US\$15 million of equity and completed three acquisitions increasing market share in both British Columbia and Washington State. Sparkling Spring is now number one in market share in Washington.

Operating performance is expected to remain strong in 2001. Clairvest expects that its percentage interest in Sparkling Spring will continue to be diluted as the company grows and equity is being raised from third parties at increasing valuations to support the company's growth.

## INDUSTRY OUTLOOK.

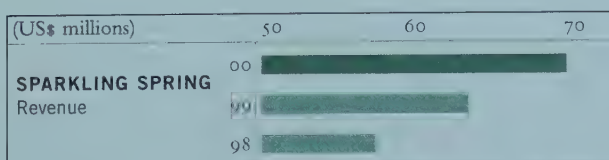
Bottled water is one of the fastest-growing segments of the beverage industry, with a 9.6% average growth rate from 1994 to 1999 in the United States. This industry is fragmented, regional, relatively unsophisticated in terms of management and capital-intensive. Approximately 2,000 companies in the U.S. account for almost US\$5.0 billion in sales with the top five companies accounting for 60% of the market. The trend toward consolidation is increasing.

The public demand for better-tasting water and a rising concern for health-related issues will be major drivers of the demand for bottled water in the foreseeable future.

## THE MANAGEMENT TEAM.

Sparkling Spring is led by John Krediet, a proven entrepreneur with a history of many years in the beverage industry. The current senior management team includes COO Stewart Allen and CFO Dillon Schickli, who worked together with Mr. Krediet in consolidating Pepsi bottlers in Canada.

Joe Heffernan and Ken Rotman sit on the Board of Directors of Sparkling Spring.



# VOXCOM INCORPORATED

## Voxcom completes operational and financial restructuring to strengthen financial base.

### OUR BUSINESS.

Voxcom installs and monitors electronic security systems and Life Call medical alert systems throughout Canada. The company operates a 24-hour monitoring station in Edmonton providing nationwide service. Voxcom is the fourth largest competitor in Canada.

### OUR PERFORMANCE.

In 2001, Voxcom's revenue grew from \$21.3 million to \$25.4 million while EBITDA grew from \$5.5 million to \$8.5 million. At the same time EBITDA margin increased from 25.9% to 33.5%. While revenue and EBITDA growth have been strong, the growth has been achieved through substantial investments in market development.

### FINANCIAL PERFORMANCE (\$ millions, except number of customers)

Year ended February 28	1998	1999	2000	2001
Revenue	9.2	15.0	21.3	<b>25.4</b>
EBITDA	2.3	4.5	5.5	<b>8.5</b>
Margin	24.9%	29.8%	25.9%	<b>33.5%</b>
Number of customers	37,519	53,420	69,297	<b>76,904</b>
Monthly monitoring revenue	0.9	1.3	1.7	<b>1.8</b>
Net debt	12.7	26.0	46.9	<b>63.2</b>

### INVESTMENT IN COMMON SHARES & CONVERTIBLE DEBENTURES (\$ millions)

	Mar. 31, 2000	Mar. 31, 2001
Cost	6.3	<b>6.3</b>
Carrying value	9.3	<b>7.7</b>

### OWNERSHIP (fully diluted)

Clairvest	<b>27.4%</b>
Management & others	<b>72.6%</b>
	<b>100%</b>

In 2001, Voxcom completed operational and financial restructuring to improve the economics of its business and

stabilize its capital structure. During the period Voxcom took a \$1.2 million restructuring charge as part of a cost-cutting initiative that will result in savings of \$2 million to EBITDA on an annualized basis.

### WHERE WE'RE GOING.

The alarm security industry is going through a fundamental change. No longer is "growth at any cost" acceptable. Voxcom is leading the way and as a result will experience slower growth than it has historically; however, the internal economics of each new customer will be greatly improved.

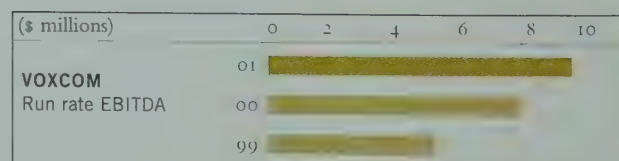
### INDUSTRY OUTLOOK.

The Canadian electronic security market is approximately \$275 million in size, highly fragmented and growing at an annual rate of 10-15%. Penetration of the residential market is currently 10% and expected to double in the next several years. As the industry and Voxcom are once again re-focused on fundamental economics, the opportunities for strategic acquisitions will present themselves when multiples return to more historic levels.

### THE MANAGEMENT TEAM.

Voxcom is led by Brad Sparrow, who, along with the entire senior management team, have extensive industry experience. Mr. Sparrow has transformed Voxcom from a marginally profitable start-up in the medical alert business to a leading position in the Canadian electronic security industry today.

Ken Rotman and Michael Wagman sit on Voxcom's Board of Directors.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2001

The following is a review and analysis of Clairvest Group Inc.'s financial results, financial position, risks and opportunities. It should be read in conjunction with the messages from the Executive Chairman and Co-Chief Executive Officers, the Review of Investments and the Consolidated Financial Statements.

## INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a Canadian merchant bank that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest focuses on a small number of carefully selected companies and actively participates in the building of these organizations. During fiscal 2001 Clairvest launched two new investment vehicles – Clairvest Equity Partners Limited Partnership ("CEP") and Clairvest-Yorkton Transition Capital Fund L.P. ("the Bridge Fund").

To June 30, 2001, Clairvest had raised \$109 million in CEP from outside investors, while committing to invest \$50 million alongside CEP. All future private equity investments will be made through the combined Clairvest CEP capital pool. As manager of CEP, Clairvest now has a larger pool of available capital with which to make investments. Clairvest receives management fees and will, ultimately, receive a share of the profits from CEP.

The Bridge Fund, a joint venture between Clairvest and Yorkton Securities Inc., provides bridge financing to growth companies in the technology and health sciences industries prior to a larger, more permanent financing. The Bridge Fund was initially capitalized with \$7 million, \$5 million of which was committed by Clairvest. At March 31, 2001, Clairvest had funded \$1.5 million of its commitment.

## OVERVIEW OF FISCAL 2001

During the year ended March 31, 2001, Clairvest's investment in Gateway Casinos Inc. ("Gateway Casinos") closed, our investment in Vitamins.com was sold to HealthCentral.com in a share exchange transaction and we acquired 2,813 common shares in Consolidated Vendors Corporation ("Consolidated Vendors").

### **The following is an overview of these events:**

- In fiscal 2000 Clairvest entered into an agreement to acquire 6.0 million common shares in Gateway Casinos, for a 28.4% ownership interest. The investment was held in escrow pending regulatory approval of the investment. Regulatory approval was received and the investment closed in fiscal 2001.
- Clairvest's 3,056,331 common shares and 5,235,106 Series B convertible preferred shares in Vitamins.com were exchanged for 3,208,786 common shares in HealthCentral.com in a share exchange transaction. A \$10.1 million unrealized loss was subsequently recognized on the investment in HealthCentral.com.
- Clairvest acquired 2,813 common shares in Consolidated Vendors for \$0.5 million, increasing our fully diluted ownership to 57.9%.

## SUMMARY OF CLAIRVEST'S INVESTMENTS AT MARCH 31, 2001

Investment	Trading Symbol and Exchange	% Ownership <sup>(10)</sup>	Cost of Investment (millions)	Carrying Value of Investment (millions) <sup>(11)</sup>	Description of Business
<b>PUBLICLY-TRADED INVESTMENTS</b>					
Datamark Systems Group Inc. <sup>(1)</sup>	DMK – TSE	36.7%	\$ 14.4	\$ 8.9	One of Canada's leading print and document management companies.
HealthCentral.com <sup>(2)</sup>	HCEN – NASDAQ	6.3%	\$ 9.0	\$ 0.4	A leading e-commerce provider of healthcare products and content.
Voxcom Incorporated <sup>(3)</sup>	VOX – CDNX	27.4%	\$ 6.3	\$ 7.7	A security company that sells, installs, services and monitors security alarm systems for residential and commercial subscribers in Canada.
<b>PRIVATELY-HELD INVESTMENTS</b>					
Clairvest-Yorkton Transition Capital Fund L.P. <sup>(4)</sup>	Private	71.4%	\$ 1.5	\$ 3.1	Provides bridge financing to growth companies in the technology and health sciences industries.
Consolidated Vendors Corporation <sup>(5)</sup>	Private	57.9%	\$ 6.6	\$ 8.2	A leading independent vending operator in Michigan and Illinois, providing a full range of vended products.
Gateway Casinos Inc. <sup>(6)</sup>	Private	28.4%	\$ 24.0	\$ 24.0	A gaming management company that operates four casinos in Western Canada.
NRI Industries Inc. <sup>(7)</sup>	Private	90.5%	\$ 17.7	\$ 24.1	The North American leader in converting tire-derived waste rubber into value-added manufactured products.
Signature Security Group Holdings Pty. Limited <sup>(8)</sup>	Private	33.8%	\$ 20.4	\$ 20.4	One of the largest electronic security companies serving Australia and New Zealand.
Sparkling Spring Water Holdings Limited <sup>(9)</sup>	Private	24.2%	\$ 5.9	\$ 31.9	A leading purified water company serving customers in Canada, the United States and the United Kingdom.
<b>OTHER INVESTMENTS</b>			\$ 0.5	\$ 0.5	
<b>TOTAL INVESTMENTS</b>			\$ 106.3	\$ 129.2	

(1) Clairvest owns 4,675,670 common shares in Datamark. Clairvest received a total of \$10.5 million in tax-free dividends from Datamark to March 31, 2001, resulting in a net cash investment at March 31, 2001, of \$3.9 million. Subsequent to the March 31, 2001, year-end, Clairvest received an additional \$0.9 million in tax-free dividends, further reducing Clairvest's net cash investment to \$3.0 million. Carrying value is based on the quoted market price.

(2) Clairvest owns 3,208,786 common shares in HealthCentral.com. Carrying value is based on the quoted market price, adjusted for foreign exchange.

(3) Clairvest has invested \$5.0 million in Voxcom convertible debentures and \$1.3 million in common shares (230,000 common shares). At March 31, 2001, the debentures were convertible into 2.0 million common shares. Carrying value is based on the quoted market price, as though the debentures were converted at this time.

(4) Clairvest has committed to fund \$5.0 million to the Bridge Fund, \$1.5 million of which was funded at March 31, 2001. Carrying value is based on the underlying value of the loans and warrants held by the Bridge Fund.

(5) Clairvest owns 35,000 Convertible Class A preferred shares, 2,813 common shares and a US\$500,000 subordinate debenture in Consolidated Vendors. Carrying value is based on cost plus accrued dividends for the preferred shares, cost for the common shares and accrued cost for the debenture, adjusted for foreign exchange.

(6) Clairvest owns 6.0 million common shares in Gateway Casinos. The common shares are carried at cost. Clairvest received \$2.8 million in taxable distributions from Gateway Casinos during the year.

(7) Clairvest owns 86,000 common shares, 6.0 million Class A preferred shares, 2.0 million Class D preferred shares and 4.5 million Class E preferred shares in NRI. The common shares are carried at cost since there have been no third party equity financings subsequent to Clairvest's investment. The Class A, Class D and Class E preferred shares are carried at redemption value plus accrued dividends.

(8) Clairvest owns 274,758 ordinary shares in Signature through its wholly owned subsidiary, Clairvest Group International (Netherlands) B.V. Carrying value is based on the last third-party equity issue, which took place June 1999, adjusted for foreign exchange and net of a downward adjustment, bringing the carrying value of the investment down to cost.

(9) Clairvest owns 1,719,680 common shares of Sparkling Spring. Carrying value is based on the last third party equity issue, which took place August 2000, adjusted for foreign exchange.

(10) Ownership percentage calculated on a fully diluted basis at March 31, 2001.

(11) Carrying value is calculated using the fair value method, under which the determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments, the price of recent financings for privately-held investments or cost where no external valuation is available.

## ANALYSIS OF FINANCIAL RESULTS

Clairvest's consolidated financial statements are prepared using the fair value method of accounting. Under fair value accounting, each of Clairvest's investments are re-valued quarterly. Realized and unrealized changes in Clairvest's investments, as well as the tax effects of these changes, are reflected in the income statement. In the year of disposal of an investment, previously recognized unrealized gains (losses) are reversed, so as to recognize the full realized gain (loss) over original cost in the year of disposition. Under fair value accounting, Clairvest's financial statements do not reflect the earnings of its investment partners.

Privately-held investments are carried at cost, unless an adjustment is considered appropriate and supported by objective evidence, such as a significant third party equity financing. The carrying value for Clairvest's publicly-traded investments is based on the quoted market price. This method of accounting requires careful judgement, and the actual realizations may vary from the values presented.

We believe that under fair value accounting, Clairvest's corporate investments are carried at conservative values. While the value of certain privately-held investments may have increased, there may be insufficient persuasive and objective evidence to support an upward adjustment to carrying value. Additionally, we believe that because the value at which significant ownership positions are sold is often greater than the quoted market value, our publicly-traded investments are conservatively valued. The fair value method may result in volatility in Clairvest's financial results, as the values at which the publicly-traded investments are carried are subject to fluctuations in the public markets.

## OPERATING RESULTS

### CONSOLIDATED STATEMENTS OF INCOME (LOSS) (\$'000's)

Year ended March 31	2001	2000
<b>Net investment gains (losses)</b>		
Realized gains on investments (net)	\$ —	\$ 20,721
Previously recognized unrealized gains	—	(18,849)
Unrealized gains (losses) on investments (net)	(9,725)	5,848
	(9,725)	7,720
<b>Other investment income</b>		
Interest income	2,173	1,991
Dividend income	2,572	—
Advisory and other fees	3,717	1,143
	8,462	3,134
Administration and other expenses	4,002	5,307
Income (loss) before income taxes	(5,265)	5,547
Recovery of income taxes	(3,549)	(3,056)
<b>Net income (loss)</b>	<b>\$ (1,716)</b>	<b>\$ 8,603</b>

Clairvest's operating results reflect revenue realized from our corporate investments, and unrealized appreciation and depreciation in the value of our corporate investments. These results are net of all costs incurred to manage these assets.

Net loss for the year ended March 31, 2001 was \$1.7 million, versus net income of \$8.6 million for the year ended March 31, 2000.

There were no realized gains on investments in fiscal 2001, versus \$20.7 million in fiscal 2000. The gain in fiscal 2000 came primarily from the sale of Clairvest's investment in Consoltex. Previously recognized unrealized gains in fiscal 2000 relate to unrealized gains on Consoltex that were recognized in fiscal 2000 and in prior years. When this investment was sold in fiscal 2000, the previously recognized unrealized gains were reversed, and the full realized gain over original cost was recognized at that time.

Clairvest had unrealized losses on investments of \$9.7 million for the year ended March 31, 2001, compared to unrealized gains of \$5.8 million for the year ended March 31, 2000. Unrealized gains/losses result from changes in the carrying value of the investments from one year to the next. The unrealized gains/losses on investments are summarized as follows:

# UNREALIZED GAINS (LOSSES) ON INVESTMENTS (\$000's)

Year ended March 31	2001	2000
<b>Investments in publicly-traded companies</b>		
Consoltex Group Inc.	\$ -	\$ 9,055
Datamark Systems Group Inc.	(4,638)	(458)
HealthCentral.com/Vitamins.com	(10,093)	1,480
Voxcom Incorporated	(2,079)	(5,550)
	(16,810)	4,527
<b>Investments in privately-held companies</b>		
Clairvest-Yorkton Transition Capital Fund L.P.	1,589	-
Consolidated Vendors Corporation	970	457
Gateway Casinos Inc.	-	-
NRI Industries Inc.	1,247	940
Signature Security Group Holdings Pty. Limited	(9,305)	(1,098)
Sparkling Spring Water Holdings Limited	12,584	1,093
	7,085	1,392
<b>Other investments</b>	-	(71)
	\$ (9,725)	\$ 5,848

Further details on unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Interest income in fiscal 2001 increased slightly to \$2.2 million from \$2.0 million in fiscal 2000. Dividend income of \$2.6 million for the year ended March 31, 2001, represented tax-free dividends earned from Datamark.

Advisory and other fees increased \$2.6 million to \$3.7 million in fiscal 2001. During the year Clairvest received two distributions from Gateway Casinos totalling \$2.8 million. During fiscal 2001, Clairvest also began earning management fees from CEP in accordance with a management agreement. Management fees earned from CEP totalled \$173,000 for fiscal 2001. This is expected to increase to approximately \$2.2 million in fiscal 2002.

Administration and other expenses decreased \$1.3 million from fiscal 2000 to fiscal 2001. Administration and other expenses in fiscal 2000 were higher than typical as a result of the increased investment activity during the year and due to a bonus paid to employees as a result of the realized gain on Consoltex.

## FINANCIAL POSITION AND LIQUIDITY

### CONSOLIDATED BALANCE SHEETS (\$000's)

As at March 31	2001	2000
<b>Assets</b>		
Cash and cash equivalents	\$ 7,829	\$ 3,709
Short-term investments	16,616	20,680
Cash held in escrow	-	24,000
Accounts receivable and other assets	1,541	1,342
Corporate investments	129,164	114,007
	\$ 155,150	\$ 163,738
<b>Liabilities</b>		
Accounts payable	\$ 1,624	\$ 1,630
Future income taxes	5,193	10,189
	6,817	11,819
<b>Shareholders' equity</b>		
Share capital	95,652	95,652
Retained earnings	52,681	56,267
	148,333	151,919
	\$ 155,150	\$ 163,738

Clairvest has sufficient capital to support its current and anticipated new investments. In addition to cash and cash equivalents and short-term investments, Clairvest has a \$20 million credit facility with a Canadian chartered bank. The facility is unsecured and bears interest at the bank prime rate plus 0.5%. Clairvest had not drawn down on its line at March 31, 2001. Subsequent to year-end, Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom's obligations to its lending syndicate. To date Clairvest has guaranteed \$2.0 million of Voxcom's obligations as part of this agreement. Clairvest's line of credit availability is decreased by the portion of the guarantee that is drawn down.

Cash held in escrow at March 31, 2000, consisted of Clairvest's commitment to invest in Gateway Casinos, which was pending regulatory approval. Regulatory approval was received in fiscal 2001, and the cash that was previously held in escrow was accounted for as corporate investments at March 31, 2001.

As is typical of a merchant bank, Clairvest's main asset is its corporate investments. A breakdown of Clairvest's corporate investments and further discussion can be found below.

Future income taxes decreased \$5.0 million to \$5.2 million at March 31, 2001. The decrease is as a result of a reduction in future income taxes related to net unrealized losses on investments, the reduction in the capital gains inclusion rate for taxation purposes and a decline in the statutory tax rates.

#### CORPORATE INVESTMENTS (\$000's)

As at March 31

	2001	2000
<b>Investments in publicly-traded companies</b>		
Datamark Systems Group Inc.	\$ 8,931	\$ 13,569
HealthCentral.com/Vitamins.com	401	10,349
Voxcom Incorporated	7,701	9,322
	17,033	33,240
<b>Investments in privately-held companies</b>		
Clairvest-Yorkton Transition Capital Fund L.P.	3,082	—
Consolidated Vendors Corporation	8,221	6,303
Gateway Casinos Inc.	24,000	—
NRI Industries Inc.	24,052	22,884
Signature Security Group Holdings Pty. Limited	20,401	31,938
Sparkling Spring Water Holdings Limited	31,850	19,267
	111,606	80,392
<b>Other investments</b>	525	375
	\$ 129,164	\$ 114,007

#### DATAMARK SYSTEMS GROUP INC.

At March 31, 2001, Clairvest owned 4,675,670 common shares in Datamark and held 20,000 options to acquire Datamark shares at \$2.02 per share. The shares in Datamark were carried at the quoted market price at March 31, 2001, and the options were valued at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in Datamark decreased \$4.6 million to \$8.9 million at March 31, 2001. The unrealized loss of \$4.6 million is as a result of the decrease in share price from \$2.90 per share at March 31, 2000, to \$1.91 per share at March 31, 2001. Clairvest recorded an unrealized loss of \$0.5 million for the year ended March 31, 2000, as a result of movements in the quoted market price.

The carrying value of \$8.9 million at March 31, 2001, compares to a cost of \$14.4 million. It is important to note that at March 31, 2001, Clairvest had received back \$10.5 million, by way of tax-free dividends, of the \$14.4 million it had invested in Datamark. Clairvest received further dividends of \$0.9 million subsequent to year-end, increasing total tax-free dividends received to \$11.4 million.

#### HEALTHCENTRAL.COM/VITAMINS.COM

At March 31, 2001, Clairvest owned 3,208,786 common shares in HealthCentral.com. These shares were acquired during fiscal 2001 on the sale of Vitamins.com in a share exchange transaction. The shares in HealthCentral.com were restricted as to sale during the year and became freely tradable March 31, 2001. At March 31, 2001, the shares in HealthCentral.com were carried at the quoted market price.

The carrying value of Clairvest's investment in HealthCentral.com decreased \$10.0 million to \$0.4 million at March 31, 2001. The unrealized loss of \$10.0 million is as a result of the decrease in the share price from the date of the share exchange transaction to March 31, 2001. Clairvest recorded an unrealized gain of \$1.5 million for the year ended March 31, 2000, as a result of a write-up of the investment based on a third party equity financing completed during fiscal 2000.

The carrying value of \$0.4 million at March 31, 2001, compares to a cost of \$9.1 million.

#### VOXCOM INCORPORATED

At March 31, 2001, Clairvest owned 230,000 common shares and \$5.0 million of convertible debentures in Voxcom that are due July 18, 2001. Clairvest also held 10,000 options to acquire Voxcom shares at \$3.25 per share and participate in an additional 10,000 options. The shares in Voxcom were carried at the quoted market price at March 31, 2001, the debentures were valued as though converted to common shares and the options were valued at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in Voxcom decreased \$1.6 million to \$7.7 million at March 31, 2001. The decrease is as a result of \$2.1 million in unrealized losses, net of \$0.5 million of interest accrued on the debentures. The unrealized loss of \$2.1 million is as a result of the decrease in share price from \$4.50 per share at March 31, 2000, to \$3.50 per share at March 31, 2001. Clairvest recorded an unrealized loss of \$5.6 million for the year ended March 31, 2000, as a result of movements in the quoted market price.

The carrying value of \$7.7 million at March 31, 2001, compares to a cost of \$6.3 million.

#### CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P.

During fiscal 2001 Clairvest funded \$1.5 million of its \$5.0 million capital commitment to the Bridge Fund. At March 31, 2001, the investment in the Bridge Fund was carried at the underlying value of the loans and warrants held by the Bridge Fund. The loans were carried at accrued cost and the warrants were valued at the difference between the exercise price and the quoted market price.

The carrying value of \$3.1 million at March 31, 2001, compares to a cost of \$1.5 million. The unrealized gain of \$1.6 million is as a result of the value assigned to the warrants.

#### CONSOLIDATED VENDORS CORPORATION

At March 31, 2001, Clairvest owned 35,000 10% convertible Class A preferred shares and 2,813 common shares in Consolidated Vendors, and held a US\$500,000 subordinated debenture that is due September 21, 2001. At March 31, 2001, the preferred shares were carried at cost plus accrued dividends, the common shares at cost and the debenture at cost plus accrued interest.

The carrying value of Clairvest's investment in Consolidated Vendors increased \$1.9 million to \$8.2 million at March 31, 2001. The increase is comprised primarily of unrealized gains of \$1.0 million, the acquisition of common shares for \$0.5 million and the accrual of interest on the debenture of \$0.2 million. The unrealized gain of \$1.0 million is as a result of cumulative dividends on the preferred shares and movements in foreign exchange. Clairvest recorded an unrealized gain of \$0.5 million for the year ended March 31, 2000, as a result of cumulative dividends on the preferred shares and foreign exchange movements. The carrying value of \$8.2 million at March 31, 2001, compares to a cost of \$6.6 million.

Subsequent to year-end, Clairvest sold approximately 68% of its investment in Consolidated Vendors to CEP at its accrued value. The investment in Consolidated Vendors is now held by CEP and Clairvest pro rata with their capital commitments to the combined investment pool. CEP and Clairvest invested an additional US\$2.7 million to acquire Class B preferred shares in Consolidated Vendors. Also subsequent to year-end, Consolidated Vendors repaid the US\$500,000 debenture owing to Clairvest with interest. Clairvest has guaranteed any loss CEP may incur on the investment acquired from Clairvest.

#### GATEWAY CASINOS INC.

At March 31, 2001, Clairvest owned 6.0 million common shares in Gateway Casinos. The shares were held in escrow at March 31, 2000, pending regulatory approval of the investment, which was received in fiscal 2001. At March 31, 2001, the shares in Gateway Casinos were carried at cost. During the year, Clairvest received \$2.8 million in taxable distributions from Gateway Casinos.

#### NRI INDUSTRIES INC.

At March 31, 2001, Clairvest owned 6.0 million Class A preferred shares, 2.0 million Class D preferred shares, 4.5 million Class E preferred shares and 86,000 common shares of NRI. Clairvest also had an option to acquire an additional 8,000 common shares of NRI from another shareholder, at an exercise price of US\$2.8 million. At March 31, 2001, the common shares were carried at cost since no third party equity financings have taken place subsequent to Clairvest's investment. The Class A, Class D and Class E preferred shares were carried at their redemption values plus accrued dividends and the option is carried at nil.

The carrying value of Clairvest's investment in NRI increased \$1.2 million to \$24.1 million at March 31, 2001. The unrealized gain of \$1.2 million is as a result of cumulative dividends on the preferred shares and the effects of foreign exchange movements on the Class D preferred shares, which are redeemable in US dollars. Clairvest recorded an unrealized gain of \$0.9 million for the year ended March 31, 2000, as a result of cumulative dividends on the preferred shares and foreign exchange movements.

The carrying value of \$24.1 million at March 31, 2001, compares to a cost of \$17.6 million.

## SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

At March 31, 2001, Clairvest owned 274,758 ordinary shares in Signature through its wholly owned subsidiary, Clairvest Group International (Netherlands) B.V. At March 31, 2000, the shares in Signature were carried at AUS\$125 per share based on a third-party equity financing that took place June 1999. In fiscal 2001 a downward adjustment was made to the carrying value of the investment, bringing the carrying value back down to the cost of the investment.

The carrying value of Clairvest's investment in Signature decreased \$11.5 million to \$20.4 million at March 31, 2001. The decrease is as a result of movements in foreign exchange and the \$7.4 million downward adjustment to the carrying value of Clairvest's investment in Signature. Signature is in the midst of a capital reorganization, which will result in a \$24 million investment by Signature's shareholders. In light of this, we have determined that the appropriate fair value of our investment is \$20.4 million, and have adjusted the carrying value accordingly. Clairvest recorded an unrealized loss of \$1.1 million for the year ended March 31, 2000, as a result of movements in foreign exchange.

The carrying value of \$20.4 million at March 31, 2001, equals the cost of the investment.

## SPARKLING SPRING WATER HOLDINGS LIMITED

At March 31, 2001, Clairvest owned 1,719,680 common shares in Sparkling Spring and warrants to acquire 26,920 common shares at US\$7.73 per share. The shares in Sparkling Spring are carried at US\$11.69 per share based on a third-party equity financing that took place August 2000. The options are carried at the difference between the exercise price and US\$11.69.

The carrying value of Clairvest's investment in Sparkling Spring increased \$12.6 million to \$31.9 million at March 31, 2001. The unrealized gain of \$12.6 million is as a result of a write-up of the investment from US\$7.73 per share to US\$11.69 per share based on the third-party equity financing. Clairvest recorded an unrealized gain of \$1.1 million for the year ended March 31, 2000, as a result of movements in foreign exchange.

The carrying value of \$31.9 million at March 31, 2001, compares to a cost of \$5.9 million. Subsequent to year-end, Clairvest sold 342,173 common shares of Sparkling Spring for proceeds of US\$4.0 million. The transaction results in Clairvest recouping more than 100% of the capital it had originally invested in Sparkling Spring, while continuing to hold 1,377,507 common shares, representing a 16% interest on a fully diluted basis.

## RISK MANAGEMENT

The merchant banking business is about accepting risk for return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates.

Clairvest manages the risk associated with its corporate investment portfolio through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and active involvement with existing investments.

Clairvest has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in Australia and in the United States. In order to limit our exposure to changes in the value of the United States and Australian dollars relative to the Canadian dollar, Clairvest has hedged between 50% and 100% of the cost of some of its foreign investments.

Clairvest has some exposure to the financial markets, as approximately 13% of the carrying value of Clairvest's investments at March 31, 2001, was in publicly-traded companies. Clairvest is a value investor and focuses on the intrinsic value related to the specific company's outlook and therefore attempts to act independently of the overall valuation by the market. The entry multiples for its public holdings have generally been less than other public companies in the same industries and therefore have a value cushion in the event of any general market value fluctuations as has been seen this year.

Fluctuations in interest rates affect Clairvest's income derived from cash, cash equivalents and short-term investments. It is the Company's policy to invest these amounts in securities that are highly rated by recognized rating agencies.

## OUTLOOK

Fiscal 2002 is already shaping up to be an exciting year. During the first quarter of 2002, Clairvest and CEP made their first joint investment, in Allied Global Holdings Inc., and Clairvest sold a portion of its investment in Consolidated Vendors to CEP. Additionally, Clairvest sold US\$4 million of Sparkling Spring shares, recouping more than 100% of our invested capital, and received a \$0.9 million dividend from Datamark, reducing our invested capital to \$3.0 million.

The launch of CEP in fiscal 2001 presents an exciting opportunity for Clairvest. As manager of the fund, Clairvest now has a larger pool of capital available for investing. The management fee earned from CEP, along with continued distributions from our existing investments, should result in operating profits in future years that fully fund our operations.

During the remainder of fiscal 2002 Clairvest will continue to focus on actively pursuing investment opportunities. Clairvest has \$24.5 million in cash and \$109 million of additional capital through CEP to fund new investments.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

As at March 31

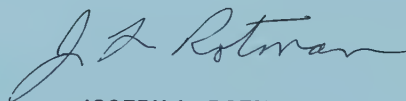
\$000's	2001	2000
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 7,829	\$ 3,709
Short-term investments (Note 4)	16,616	20,680
Cash held in escrow (Note 5)	—	24,000
Accounts receivable and other assets (Note 9a)	1,541	1,342
Corporate investments (Note 6)	129,164	114,007
	\$ 155,150	\$ 163,738
<b>LIABILITIES</b>		
Accounts payable	\$ 1,624	\$ 1,630
Future income taxes (Note 10)	5,193	10,189
	6,817	11,819
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	95,652	95,652
Retained earnings	52,681	56,267
	148,333	151,919
	\$ 155,150	\$ 163,738

(see accompanying notes to consolidated financial statements)

On behalf of the Board:



**GERALD R. HEFFERNAN**  
Director



**JOSEPH L. ROTMAN**  
Director

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the years ended March 31

\$000's (except per share information)	2001	2000
<b>NET INVESTMENT GAINS (LOSSES)</b>		
Realized gains on investments (net)	\$ —	\$ 20,721
Previously recognized unrealized gains (Note 2e)	—	(18,849)
Unrealized gains (losses) on investments (net)	(9,725)	5,848
	(9,725)	7,720
<b>OTHER INVESTMENT INCOME</b>		
Interest income (Note 9b)	2,173	1,991
Dividend income (Note 9b)	2,572	—
Advisory and other fees (Note 9b)	3,717	1,143
	8,462	3,134
Administration and other expenses (Note 9c)	4,002	5,307
Income (loss) before income taxes	(5,265)	5,547
Recovery of income taxes (Note 10)	(3,549)	(3,056)
Net income (loss)	\$ (1,716)	\$ 8,603
Net income (loss) per share	\$ (0.09)	\$ 0.46
Fully diluted net income (loss) per share	\$ (0.09)	\$ 0.42

(see accompanying notes to consolidated financial statements)

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

\$000's	2001	2000
Retained earnings, beginning of year	\$ 56,267	\$ 49,534
Net income (loss)	(1,716)	8,603
	54,551	58,137
Dividends	(1,870)	(1,870)
Retained earnings, end of year	\$ 52,681	\$ 56,267

(see accompanying notes to consolidated financial statements)

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31

\$000's	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,716)	\$ 8,603
Add (deduct) items not involving a current cash outlay		
Amortization	59	47
Future income taxes	(4,996)	(3,173)
Realized gains on investments (net)	—	(20,721)
Previously recognized unrealized gains	—	18,849
Unrealized losses (gains) on investments (net)	9,725	(5,848)
Non-cash income relating to corporate investments	(683)	(1,218)
	2,389	(3,461)
Net change in non-cash working capital balances related to operations	18	(3,699)
	2,407	(7,160)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends	(1,870)	(1,870)
	(1,870)	(1,870)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short-term investments	4,064	(20,680)
Cash held in escrow (Note 5)	—	(24,000)
Acquisition of corporate investments	(2,102)	(2,365)
Proceeds on sale of corporate investments	—	55,428
Proceeds (payments) on realization of foreign exchange forward contracts	1,828	(583)
Return of capital from corporate investments	75	260
Purchase of other assets	(282)	—
	3,583	8,060
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,120	(970)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	3,709	4,679
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 7,829	\$ 3,709
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash taxes paid	\$ 792	\$ (92)
Cash interest paid	\$ —	\$ 103

(see accompanying notes to consolidated financial statements)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2001 and 2000 (tabular dollar amounts in thousands)

## 1. NATURE OF ACTIVITIES

Clairvest Group Inc. ("Clairvest" or the "Company") is a publicly-traded Canadian merchant bank. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest contributes financing and strategic expertise to support the growth and development of its corporate investments in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company:

### (A) PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries that exist for investing and financing purposes. All significant intercompany amounts and transactions have been eliminated upon consolidation.

### (B) CORPORATE INVESTMENTS

#### (i) Publicly-traded investments

Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at carrying values based on quoted market prices at the balance sheet dates or the closing price on the last day the security traded if there were no trades at the balance sheet dates.

Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments.

#### (ii) Privately-held investments

Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by persuasive and objective evidence such as a significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value. Downward adjustments to carrying value are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts, financing and other developments since acquisition.

#### (iii) Other investment instruments

Included in Clairvest's corporate investments are certain instruments which are accounted for as follows:

- Loans are valued at the lesser of their discounted cash flow or the fair value of the underlying collateral.
- Convertible debentures and convertible notes are valued at the greater of their loan value amount as described above or as though converted to common shares.
- Options and warrants are valued at the difference between the exercise price and the quoted market price.
- Cumulative dividends not yet received are included in the carrying value of the investment.

At each financial reporting period, the Company's management determines the valuation of investments based on the criteria above and reflects such valuations as corporate investments in the consolidated financial statements. The resulting values may differ from values that would be realized had a ready market existed. The amounts at which Clairvest's privately-held investments could be disposed of currently may differ from the carrying value assigned as a substantial period of time may have elapsed since the latest third party equity financing. The amounts at which Clairvest's publicly-traded investments could be disposed of currently may differ from carrying value based on market quotes as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

(C) SHORT-TERM INVESTMENTS

Short-term investments are carried at the lower of cost and estimated market value.

(D) FOREIGN CURRENCY TRANSLATION

The carrying value of foreign investments have been translated into Canadian dollars at the balance sheet date rates of exchange together with the effect of any foreign exchange forward contract hedge thereon. The cost of foreign investments is the cost thereof translated into Canadian dollars at the rate of exchange prevailing at the time of purchase.

(E) INCOME RECOGNITION

Realized gains or losses on disposition of investments and unrealized gains or losses in the value of investments are reflected in the consolidated statements of income. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed. Dividend income is recorded on the ex-dividend date.

(F) INCOME TAXES

In fiscal 2000, the Company changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as recommended by The Canadian Institute of Chartered Accountants' Section 3465, *Accounting for Income Taxes*. Under the liability method, income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates which are expected to be in effect when the asset or liability is settled. As permitted under the new rules, the March 31, 1999 consolidated financial statements have not been restated. There was no material impact on the fiscal 2000 consolidated financial statements or on the opening retained earnings for fiscal 2000 as a result of the application of the new standard.

(G) STOCK-BASED COMPENSATION PLAN

The Company has a stock option plan. No compensation expense is recognized for this plan when stock options are issued. Any consideration paid by employees on exercise of stock options is credited to share capital.

(H) EARNINGS PER SHARE

Basic earnings per share is determined by dividing net income by the weighted-average number of common shares outstanding at the year-end. Fully diluted earnings per share assumes that outstanding dilutive securities including options were exercised at the later of the beginning of the year or date of grant, and the funds derived therefrom were invested at the Company's annual after-tax cost of financing.

(I) ESTIMATES

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH EQUIVALENTS

Cash equivalents comprise only highly liquid investments with maturities of less than ninety days from the date of acquisition. Cash equivalents are comprised of money market funds and bankers' acceptances. Cash equivalents have realizable values which approximate the carrying values due to their short-term nature.

4. SHORT-TERM INVESTMENTS

Short-term investments have maturities between 90 days and one year and are comprised of high quality corporate notes and debentures. The yield on these investments ranges between 5.7% and 8.0% (2000 – between 5.8% and 8.2%) with a weighted average yield thereon of 6.4% (2000 – 7.3%). Short-term investments have realizable values which approximate the carrying values due to their short-term nature.

## 5. CASH HELD IN ESCROW

During fiscal 2000, Clairvest entered into an agreement to invest \$24.0 million for a 28.4% interest in Gateway Casinos Inc. ("Gateway Casinos"). Clairvest's investment was held in escrow pending regulatory approval of the investment. The cash held in escrow was non-interest-bearing. Regulatory approval was received in fiscal 2001. During fiscal 2001, the cash that was previously held in escrow was accounted for as an investment in Gateway (see note 6).

## 6. CORPORATE INVESTMENTS

	2001			2000		
	Carrying Value	Cost	Difference	Carrying Value	Cost	Difference
Investments in publicly-traded companies						
Datamark Systems Group Inc.	\$ 8,931	\$ 14,421	\$ (5,490)	\$ 13,569	\$ 14,421	\$ (852)
HealthCentral.com/Vitamins.com	401	9,053	(8,652)	10,349	9,053	1,296
Voxcom Incorporated	7,701	6,289	1,412	9,322	6,289	3,033
	17,033	29,763	(12,730)	33,240	29,763	3,477
Investments in privately-held companies						
Clairvest-Yorkton Transition Capital Fund L.P.	3,082	1,493	1,589	–	–	–
Consolidated Vendors Corporation	8,221	6,625	1,596	6,303	6,166	137
Gateway Casinos Inc.	24,000	24,000	–	–	–	–
NRI Industries Inc.	24,052	17,613	6,439	22,884	17,688	5,196
Signature Security Group Holdings Pty. Limited	20,401	20,401	–	31,938	20,401	11,537
Sparkling Spring Water Holdings Limited	31,850	5,889	25,961	19,267	5,889	13,378
	111,606	76,021	35,585	80,392	50,144	30,248
Other investments	525	525	–	375	375	–
	\$ 129,164	\$ 106,309	\$ 22,855	\$ 114,007	\$ 80,282	\$ 33,725

### DATAMARK SYSTEMS GROUP INC. ("DATAMARK")

Datamark is a business document management company with operations in Canada and the United States. At March 31, 2001 Clairvest owned 4,675,670 (2000 – 4,675,670) common shares of Datamark, representing a 36.7% (2000 – 36.7%) interest on a fully diluted basis.

Clairvest also holds 20,000 options to acquire Datamark shares at \$2.02 (2000 – \$2.43) per share. These options vest over 5 years from the grant date, being October 1999.

The shares in Datamark are carried at the quoted market price at March 31, 2001 and 2000. Since the inception of the investment, Clairvest has received a total of \$10.5 million in cash dividends, which have been accounted for as income. Subsequent to March 31, 2001, Clairvest received a further \$935,000 in dividends from Datamark.

### HEALTHCENTRAL.COM/VITAMINS.COM

HealthCentral.com is a leading e-commerce provider of healthcare products and content. At March 31, 2001, Clairvest owned 3,208,786 common shares in HealthCentral.com, representing a 6.3% ownership interest on a fully diluted basis.

At March 31, 2000, Clairvest owned 3,056,331 common shares and 5,235,106 Series B convertible preferred shares in Vitamins.com, representing a 14.1% ownership interest on a fully diluted basis. During fiscal 2001, Vitamins.com was sold to HealthCentral.com in a share exchange transaction, in which Clairvest received the 3,208,786 common shares in HealthCentral.com.

The common shares in HealthCentral.com are carried at the quoted market price at March 31, 2001. The common shares in Vitamins.com were carried at US\$0.80 per share and the Series B preferred shares at US\$0.90 per share at March 31, 2000 based on a third party equity financing completed during fiscal 2000, and converted to Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 11b).

#### **VOXCOM INCORPORATED ("VOXCOM")**

Voxcom is an Edmonton based electronic security alarm monitoring company operating throughout Canada. At March 31, 2001 Clairvest owned 230,000 (2000 – 230,000) common shares and \$5.0 million (2000 – \$5.0 million) of convertible debentures which are due July 18, 2001. \$3.0 million of convertible debentures bear interest at 8% per annum, and the remaining \$2.0 million of convertible debentures bore interest at 8% per annum until December 20, 2000, and became non-interest bearing subsequent to December 20, 2000. The debentures, together with accrued interest thereon, are convertible into 2.0 million common shares at March 31, 2001 (2000 – 1.8 million). If the debentures were converted, Clairvest would own 27.4% (2000 – 26.2%) on a fully diluted basis.

Clairvest also holds 10,000 (2000 – 10,000) options to acquire Voxcom shares at \$3.25 per share. These options vested January 1997. Clairvest also participates in an additional 10,000 options to the extent that \$3.25 is exceeded by the lesser of (i) the market value of the shares at the time the options are exercised and (ii) \$7.45 per share.

Clairvest carries its investment in Voxcom at the quoted market price at March 31, 2001 and 2000 based on the common shares Clairvest would own assuming conversion of the debentures.

#### **CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P. ("THE BRIDGE FUND")**

The Bridge Fund provides bridge financing to growth companies in the technology and health sciences industries prior to larger, more permanent financings. Clairvest has committed to fund \$5.0 million to the Bridge Fund, \$1.5 million of which was funded at March 31, 2001. Clairvest's commitment represents a 71.4% interest in the Bridge Fund.

Clairvest carries its investment in the Bridge Fund at the underlying value of the loans and warrants held by the Bridge Fund.

#### **CONSOLIDATED VENDORS CORPORATION ("CONSOLIDATED VENDORS")**

Consolidated Vendors is a leading independent vending operator in the US Midwest. At March 31, 2001 Clairvest owned 35,000 (2000 – 35,000), 10% Convertible Class A preferred shares and 2,813 (2000 – nil) common shares in Consolidated Vendors. The Class A preferred shares are convertible into 21,511 (2000 – 21,511) common shares.

At March 31, 2001, Clairvest also held a US\$500,000 (2000 – US\$500,000) subordinated debenture in Consolidated Vendors. The debenture bears interest at 20% and the debenture and interest are due on September 21, 2001. Clairvest's ownership on a fully diluted basis was 57.9% (2000 – 51.5%) at March 31, 2001.

The shares in Consolidated Vendors are carried at cost and converted to Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 11b). Cumulative dividends are included in the carrying value of these shares.

#### **GATEWAY CASINOS INC. ("GATEWAY CASINOS")**

Gateway Casinos is a gaming management company operating in Western Canada. At March 31, 2001 Clairvest owned 6.0 million common shares in Gateway Casinos, representing a 28.4% interest on a fully diluted basis. The shares in Gateway Casinos are carried at cost at March 31, 2001.

At March 31, 2000, Clairvest's investment in Gateway Casinos was held in escrow pending regulatory approval of the investment (see note 5).

#### **NRI INDUSTRIES INC. ("NRI")**

NRI is the North American leader in converting tire-derived waste rubber into value-added manufactured products. At March 31, 2001 and March 31, 2000 Clairvest owned 6.0 million Class A preferred shares, 2.0 million Class D preferred shares, 4.5 million Class E preferred shares and 86,000 common shares of NRI. Clairvest also holds options to acquire an additional 8,000 common shares of NRI from another shareholder, exercisable for US\$2.8 million, until June 3, 2002. Clairvest's ownership on a fully diluted basis at March 31, 2001 was 90.5% (2000 – 90.5%).

The Class A preferred shares bear a cumulative dividend rate of 6.5% per annum commencing September 1, 1998 and are redeemable at \$1 per share. The Class D preferred shares bear a cumulative dividend rate of 6.5% per annum commencing September 1, 1998, and are redeemable at US\$1 per share. The Class E preferred shares bore a cumulative dividend of \$0.06 per share per annum commencing March 31, 1996 until August 31, 1998, and at the rate of 6.5% per annum thereafter. The Class E preferred shares are redeemable at \$1 per share.

The common shares of NRI are carried at cost. The Class A, Class D and Class E preferred shares are carried at their redemption values, with the redemption value of the Class D preferred shares being converted at the foreign exchange rate in effect at March 31, 2001 and 2000. Cumulative dividends on the Class A, Class D and Class E preferred shares are included in the carrying value of these shares.

#### SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED ("SIGNATURE")

Signature is one of the largest electronic security companies serving Australia and New Zealand. At March 31, 2001 Clairvest owned 274,758 (2000 – 274,758) ordinary shares in Signature, through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V. Clairvest's indirect ownership on a fully diluted basis at March 31, 2001 was 33.8% (2000 – 33.8%).

The ordinary shares are carried at AUS\$125 per share based on a third party equity financing, converted to Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 11b), and net of a \$7.4 million reserve against the value of the investment, bringing carrying value back down to the cost of the investment.

#### SPARKLING SPRING WATER HOLDINGS LIMITED ("SPARKLING SPRING")

Sparkling Spring is a purified water distribution company operating in Canada, the United States and the United Kingdom. After giving effect of a 4:1 stock split during fiscal 2001, at March 31, 2000 Clairvest owned 1,719,680 common shares in Sparkling Spring. At March 31, 2001 Clairvest owned 1,719,680 common shares. Clairvest also holds 26,920 (2000 – 26,920) warrants to acquire 26,920 (2000 – 26,920) common shares at US\$7.73 (2000 – US\$7.73) per share. Clairvest's ownership on a fully diluted basis at March 31, 2001 was 24.2% (2000 – 26.8%).

The shares in Sparkling Spring are carried at US\$11.69 per share based on a third party equity financing completed in fiscal 2001. At March 31, 2000 the shares were carried at US\$7.73 per share based on a third party equity financing completed in fiscal 2000.

#### 7. BANKING FACILITY

The Company has a \$20 million line of credit available, bearing interest at prime plus 0.5% per annum. The facility is renewed annually on October 31 of each year. The prime rate at March 31, 2001 was 6.75% (2000 – 7.0%). The Company had not drawn down any amount on its line at March 31, 2001 or March 31, 2000 (see note 12a).

#### 8. SHARE CAPITAL

##### Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares.

Issued and outstanding	2001	2000
Common shares – 18,697,590	\$ 95,652	\$ 95,652

The weighted average number of common shares outstanding during fiscal 2001 was 18,697,590 (2000 – 18,697,590).

Under the Company's stock option plan, 1,698,150 common shares of the Company have been reserved for issuance to eligible participants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest immediately or over a period not to exceed eight years. Once vested, options are exercisable at any time until their expiry ten years after the grant date.

A summary of the status of the Company's stock option plan at March 31, 2001 and 2000 and changes during the years ending on those dates is presented below:

	Number of options	Weighted average exercise price per share
Options outstanding, March 31, 1999	1,618,000	\$ 6.91
Options granted	86,000	5.85
Options cancelled	(52,500)	8.21
Options outstanding, March 31, 2000	1,651,500	6.81
Options granted	97,500	4.38
Options cancelled	(75,000)	5.00
Options outstanding, March 31, 2001	1,674,000	\$ 6.75
Options exercisable, March 31, 2001	1,143,400	\$ 6.69

The following table summarizes information about stock options outstanding at March 31, 2001:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding at March 31, 2001	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2001	Weighted average exercise price
\$4.00 to \$4.99	97,500	9.3 years	\$ 4.38	—	\$ —
\$5.00 to \$5.99	461,000	3.4 years	5.16	400,200	5.05
\$6.00 to \$6.99	20,000	3.7 years	6.69	20,000	6.69
\$7.00 to \$7.99	875,000	5.3 years	7.39	623,000	7.42
\$8.00 to \$8.99	220,500	7.1 years	8.57	100,200	8.60
	1,674,000			1,143,400	

## 9. RELATED PARTY TRANSACTIONS

(A) Share purchase loans made to certain officers of the Company totalling \$669,000 (2000 – \$662,000) are included in accounts receivable and other assets. The loans bear interest fixed at either 4% or the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of \$443,000 (2000 – \$511,000). Also included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$405,000 (2000 – \$366,000).

(B) During fiscal 2001 Clairvest entered into a Management Agreement with the General Partner of Clairvest Equity Partners Limited Partnership ("CEP"), appointing Clairvest as the Manager of CEP. Included in advisory and other fees is a management fee paid to Clairvest as compensation for its services in the administration of the portfolio of CEP in the amount of \$173,000 (2000 – nil).

During fiscal 2001 Clairvest received \$627,000 (2000 – \$1,267,000) in interest, \$2,572,000 (2000 – nil) in dividends and \$3,537,000 (2000 – \$1,143,000) in advisory and other fees from its corporate investments.

(C) Included in administration and other expenses are fees in respect of certain office and overhead expenses in an aggregate amount of \$320,000 (2000 – \$410,000) paid to a company controlled by certain shareholders of the Company.

## 10. INCOME TAXES

Recovery of income taxes consists of the following:

	2001	2000
Current income tax expense	\$ 1,447	\$ 117
Future income tax recovery relating to origination and reversal of temporary differences	(2,854)	(3,583)
Increase in future income tax expense arising from previously recognized loss carryforwards currently utilized	—	1,519
Future income tax recovery resulting from rate change	(2,142)	(1,109)
Recovery of income taxes	\$ (3,549)	\$ (3,056)

A reconciliation of the recovery of income taxes based on the statutory rate in Canada and the effective rate is as follows:

	2001	2000
Income (loss) before income taxes	\$ (5,265)	\$ 5,547
Statutory Canadian income tax rate	43.3%	45.0%
Statutory Canadian income taxes	(2,280)	2,496
Non-taxable dividends received	(1,114)	—
Non-taxable portion of net investment losses (gains)	1,966	(3,877)
Benefit of tax losses	—	(724)
Expenses not deductible for tax purposes	21	158
Future income tax recovery resulting from rate change	(2,142)	(1,109)
	\$ (3,549)	\$ (3,056)

The future tax liability relates primarily to the temporary differences on corporate investments.

## 11. FINANCIAL INSTRUMENTS

### (A) FAIR VALUE OF FINANCIAL STATEMENTS

Cash and cash equivalents, short-term investments, cash held in escrow, accounts receivable and other assets and accounts payable have fair values which equal their carrying values.

The corporate investments are being carried in accordance with the Company's accounting policy contained in note 2.

### (B) FOREIGN EXCHANGE FORWARD CONTRACTS

As at March 31, 2001 the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

- (i) Forward contracts to sell AUS\$19.0 million (2000 – AUS\$19.0 million) at rates of Canadian \$0.7716 to \$0.8852 per Australian dollar through March 2002 (average rate of \$0.8370, 2000 average rate of \$0.9604). The fair value of these contracts at March 31, 2000 is \$1.4 million (2000 – \$1.5 million); and
- (ii) Forward contracts to sell US\$5.7 million (2000 – US\$6.9 million) at rates of Canadian \$1.4618 to \$1.5335 per US dollar through February 2002 (average rate of \$1.5018, 2000 average rate of \$1.4471). The fair value of these contracts at March 31, 2001 is (\$1.2 million) (2000 – (\$12,000)).

The credit risk on derivative financial instruments, cash and cash equivalents and short-term investments is the risk of a financial loss occurring as a result of default of a counter-party on its obligation to the Company. Clairvest mitigates this risk by contracting only with Schedule 1 Canadian chartered banks.

## 12. SUBSEQUENT EVENTS

- (A) Subsequent to March 31, 2001 Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom's obligations to its lending syndicate by way of a letter of credit. As of May 25, 2001 Clairvest had guaranteed \$2.0 million of Voxcom's obligations as part of this agreement. Clairvest's own line of credit is decreased by the portion of the guarantee which is drawn down. As consideration for the guarantee, Clairvest received (i) five year warrants to acquire up to 1,898,734 common shares of Voxcom at a strike price of \$3.95 per share; (ii) an option to acquire 200,000 common shares of Voxcom for a period of five years at an exercise price equal to the 20 day weighted-average trading price of Voxcom's shares ending May 31, 2001 and (iii) a guarantee fee.
- (B) Subsequent to March 31, 2001 Clairvest invested \$2.2 million in Allied Global Holdings Inc., a leading international accounts receivable management company. Clairvest acquired 22,293 10% convertible preferred shares, representing a 7.2% ownership interest on a fully diluted basis. Clairvest and CEP have a combined 22.6% ownership interest on a fully diluted basis.

## 13. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 consolidated financial statements.

## MANAGEMENT'S REPORT

All information in this Annual Report is the responsibility of management. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal accounting control designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

Independent chartered accountants, appointed as auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

The Audit Committee of the Board of Directors, comprised of three non-management Directors, has reviewed the consolidated financial statements with management and the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



**B. JEFFREY PARR**

Co-Chief Executive Officer and Managing Director



**LANA REIKEN** C.A.

Vice-President Finance and Corporate Secretary

# AUDITORS' REPORT

To the Shareholders of Clairvest Group Inc.

We have audited the consolidated balance sheets of Clairvest Group Inc. as at March 31, 2001 and 2000 and the consolidated statements of income (loss), retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Ernst & Young LLP*

Chartered Accountants

Toronto, Canada  
May 25, 2001

# SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2001

## SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. As the complexity of Clairvest's portfolio has increased, we are increasing the extent of disclosure in order to aid understanding. Annual and quarterly reports are provided as part of this process and the Company releases information on material events through the press, as required. Further disclosure can be found on the Company's website, [www.clairvest.com](http://www.clairvest.com).

## VALUATION MEASURES

Clairvest's focus is on building the long-term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments in the carrying value. The fair value method, however, is not without limitations. Clairvest's investments are often carried at conservative values, and the actual realizations may vary from the values presented.

## MARKET FOR SECURITIES

Share structure:	Common Voting Shares
Shares outstanding: <sup>(1)</sup>	18,697,590
Public float: <sup>(1,2)</sup>	8,706,963
Market capitalization: <sup>(1)</sup>	\$87,878,673
Market value of public float: <sup>(1,2)</sup>	\$40,922,726
Stock market:	Toronto Stock Exchange
Stock symbol:	CVG

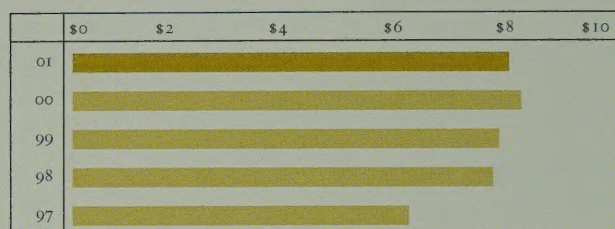
(1) As at June 30, 2001

(2) Excludes holders of 10% or more of the outstanding common shares

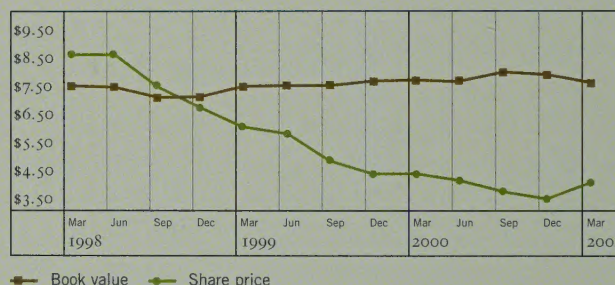
## DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last thirteen years. Over the last nine years the annual dividend has been \$0.10 per common share. It is Clairvest's current intention to continue this dividend practice.

## BOOK VALUE PER SHARE



## SHARE PRICE VS BOOK VALUE PER SHARE



## SHARE TRADING VOLUME

Common Shares	High	Low	Close	Volume
Year to March 31, 2001				
First Quarter	4.50	3.70	4.26	254,866
Second Quarter	4.75	3.80	4.00	423,738
Third Quarter	4.15	3.25	3.65	1,072,940
Fourth Quarter	4.75	3.40	4.20	186,189
Year to March 31, 2000				
First Quarter	6.25	4.60	5.75	369,525
Second Quarter	5.75	4.75	5.05	103,058
Third Quarter	5.45	3.60	4.50	496,874
Fourth Quarter	5.40	4.00	4.50	607,940

## SHAREHOLDER INQUIRIES

Lana Reiken

Vice-President Finance and Corporate Secretary

tel: 416-925-9270 fax: 416-925-5753

e-mail: [lanar@clairvest.com](mailto:lanar@clairvest.com)

# CLAIRVEST GROUP INC.

## BOARD OF DIRECTORS

H. THOMAS BECK C.M., O.Ont  
Chairman, Fernhill Holdings Limited  
Founder and past Chairman, Noma Industries

MICHAEL BREGMAN\*  
Principal, XDL Intervest Capital Corp.  
Chairman, The Second Cup Ltd.

SYDNEY C. COOPER P.ENG.\*  
President, Toril Holdings Limited,  
Former President & Chief Executive Officer,  
Pitts Engineering Construction Ltd.

A. EPHRAIM DIAMOND O.C., P.ENG.\*\*  
Chairman, Whitecastle Investments Limited  
Co-founder and former Chairman and  
Chief Executive Officer, Cadillac Fairview  
Corporation Ltd.

GERALD R. HEFFERNAN O.C., P.ENG.\*\*  
President, G.R. Heffernan & Associates Ltd.  
Founder, Co-Steel Inc., Chairman, Texas  
Industries Inc.

JOSEPH J. HEFFERNAN P.ENG.\*\*  
Chairman, Rothmans Inc.

PHILIP S. ORSINO F.C.A.\*  
President and Chief Executive Officer,  
Premdor Inc.

B. JEFFREY PARR  
Co-Chief Executive Officer and  
Managing Director, Clairvest Group Inc.

JOSEPH L. ROTMAN O.C.  
Executive Chairman, Clairvest Group Inc.

KENNETH B. ROTMAN  
Co-Chief Executive Officer and  
Managing Director, Clairvest Group Inc.

LIONEL H. SCHIPPER C.M., Q.C.  
President, Schipper Enterprises Inc.  
Past Chairman, Toronto Sun Publishing

ISADOR SHARP O.C.\*\*  
Chairman and Chief Executive Officer,  
Four Seasons Hotels Inc.

## MANAGEMENT

JOSEPH L. ROTMAN  
Executive Chairman

B. JEFFREY PARR  
Co-Chief Executive Officer and  
Managing Director

KENNETH B. ROTMAN  
Co-Chief Executive Officer and  
Managing Director

HEATHER G. CRAWFORD  
In-House Counsel

LANA REIKEN  
Vice-President Finance and  
Corporate Secretary

JOHN B. FISHER  
Principal

MICHAEL WAGMAN  
Vice-President

ALINA LOPEZ  
Associate

DENNIS DUSSIN  
Associate

## TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact  
CIBC Mellon Trust Company  
for information regarding their  
security holdings.

Information can be obtained at:

CIBC Mellon Trust Company  
Adelaide Street Postal Station  
P.O. Box 7010  
Toronto, Ontario M5C 2W9  
Answerline: 416-643-5500  
or toll-free throughout North America at  
1-800-387-0825  
web: [www.cibcmellon.ca](http://www.cibcmellon.ca)  
e-mail: [enquiries@cibcmellon.ca](mailto:enquiries@cibcmellon.ca)

## CORPORATE INFORMATION

CORPORATE OFFICE  
22 St. Clair Avenue East, Suite 1700  
Toronto, Ontario M4T 2S3  
tel: 416.925.9270 fax: 416.925.5753  
web: [www.clairvest.com](http://www.clairvest.com)

AUDITORS  
Ernst & Young LLP

THE ANNUAL MEETING OF  
SHAREHOLDERS  
September 24, 2001, at 10:30 a.m.  
The Design Exchange, Trading Floor  
234 Bay Street, Toronto, Ontario

All shareholders are encouraged to attend.

\* Member of Audit Committee

\*\* Member of Compensation and Human Resources Committee

KNOWLEDGE BASED VALUE FOCUSED CLAIRVEST GROUP INC.

**CLAIRVEST GROUP INC.**

22 St. Clair Avenue East, Suite 1700 Toronto, Ontario M4T 2S3

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